The Honorable J. Steven Griles
Deputy Secretary of the Interior
Address to the Colorado River Water Users Association
December 17, 2004

"Building on Success - Facing the Challenges Ahead"

Good morning.

My remarks today will focus on the most precious and important of our natural resources here in the Southwest – and the Secretary's vision for the continued wise management of the Colorado River.

The most succinct written description of the Colorado River Basin that I am aware of is inscribed in the rotunda of Colorado's Capitol -- "Here is a land where life is written in water."

Those words become more true every year. And with every year that passes, the importance of our work on the Colorado River increases.

In just the past decade, the population of the seven Basin states that rely on the waters of the Colorado River has grown by nearly 11 million people - an increase of 26 %. Las Vegas, Phoenix, and Southern California have been among the fastest growing areas in the nation for years.

Without the Colorado, this arid region could not support this population or be the important economic engine that it has become.

We also know that the value of the Colorado River basin to the American people is not just measured by economic activity and cold, hard numbers. The Colorado River itself is one of the wonders of the natural world. The communities that depend on the Colorado River basin, whether they be neighborhoods in LA or Las Vegas, or rural communities like Espanola, New Mexico, or El Centro, California, are important components of the social fabric of the West.

The challenges that we face would be daunting enough if we were in normal water conditions. But as you know, the Colorado River basin has experienced five consecutive years of drought.

This reality requires that we follow in the footsteps of those who came before us by taking action now to prepare for the future. We benefit from the courage and foresight of those who built the great storage reservoirs and conveyance systems in the Colorado River basin that support the Southwest. It is our turn to act with courage and foresight.

There are those who want us to fail in this great task. We have heard their voices for decades - "The Compact is a failure", they say, "the Law of the River is obsolete" they opine, and "we must start over with a new system" they conclude.

Or, my personal favorite - "California will never be able to live within its 4.4 million acre foot entitlement."

You and I know that in December 2002 we reinforced the foundations — and took action — to enforce the terms of the Compact and the Law of the River. Completing the Colorado River

Water Delivery Agreement of 2003 was essential to protecting the allocations established by the Compact and Congress, and will allow California to fulfill its promise to live within its legal entitlement to 4.4 million acre-feet.

Of even greater importance is the fact that we have proved that the institutions and people of the Colorado River Basin are very capable of meeting the challenges of the future in a manner that respects the past. The proof is the completion of the Water Delivery Agreement, the agreement on MSCP funding, the Nevada-California banking agreement, and the most recent Arizona-Nevada banking agreement.

I. Drought in the Colorado Basin - The Importance of Developing Solutions

Two years ago, Secretary Norton addressed you and identified the challenge of enforcing the Decree in Arizona v. California for the first time to terminate access to surplus water in the Lower Basin.

Today we face the prospect of an even more challenging aspect of enforcing the Decree: imposing a shortage in the Lower Basin for the first time.

We have now completed five years of drought, and we don't know when it will end. That is the reality we collectively face in the Colorado Basin.

Researchers from the U.S. Geological Survey and elsewhere have been studying this drought and its antecedents. They have been looking at long range climate patterns, tree rings, and other historic indicators. Unfortunately, their research cannot tell us where we are in the drought cycle — whether at the end of a five-year drought or in the midst of a much longer one.

But the findings are telling researchers that this drought may be the worst five-year period in 500 years in the Colorado River Basin.

The drought's impacts are dramatic: Lake Powell stands at about one-third of its capacity. It is currently more than 130 feet – or the equivalent of a 12-story building – below its high-water mark. Lake Powell has not been this low since the reservoir was first filling in 1969.

Current studies show that if the drought continues with extremely low runoff, and with continuation of current operations, we could lose all power production from Glen Canyon Dam in the spring of 2006 – just over a year from now.

Downstream, Lake Mead stands only half full. Under current operations, it will continue to decline unless we return to a significant wet cycle.

Power production at Hoover Dam has already been reduced by 15%. Hoover's generation capacity will continue to gradually erode if the drought continues to drive reservoir levels to lower elevations.

Power is not the only resource affected; at both reservoirs it has been a constant challenge to ensure that boat ramps and other visitor facilities are actually within reach of the declining water line. The drought has left "bathtub rings" that are visible from planes flying high overhead.

Under the 2005 Annual Operating Plan Secretary Norton signed last month, access to surplus

water in the Lower Basin will be eliminated in two weeks — beginning on January 1, 2005. Secretary Norton is once again required to limit use in the Lower Basin to 7.5 million acre-feet, as agreed to by all seven Colorado River Basin States.

Although we do not know how long or severe the drought will be, we must face our collective responsibility to plan for the likelihood that water supplies may be limited in the Lower Basin over an extended period of time.

More specifically, we must accelerate the development of procedures for the administration of shortages in the Lower Colorado basin.

It is important to emphasize that we are not yet in crisis, and, with prudent action, we will not reach the point of crisis. Our reservoirs are still nearly half full. These facilities provide more than water and power. They are important to meet environmental values, and recreational needs, both of which are vital in this fastest growing region of America.

However, this drought is our wake-up call in the Colorado River basin. And there are promising signs that the Basin will successfully face this challenge.

Here in Las Vegas, while the population has risen each of the last two years, Las Vegas' water use is down.

The three lower Basin states are working together on water banking arrangements to meet the growing urban demand for water, but are doing so in a way that respects the rights of each of the three states' allocations.

One of Secretary Norton's priorities is to work to resolve outstanding water issues in a manner that fully respects the foundations of the Law of the River, while drawing on the wisdom of those who are directly affected by the decisions.

The basic management philosophy we brought to the Department involves the principles of what Secretary Norton calls the 4Cs: Cooperation, consultation, and communication, all in the service of conservation.

II. Our Recent Successes Provide a Foundation to Address the Challenges of the Drought

This management philosophy has proven successful here in the Colorado Basin. The past four years have been one of the most historic – and most productive – periods on the Colorado River.

Together we've resolved a number of difficult, contentious issues – achieving far more through our working relationships with the Basin States, Tribes, conservation groups and water users than DOI could by itself, even with its substantial authorities.

Our successes have been built on the foundations provided by those who preceded us, propelled forward by the leadership the Basin states and other Colorado River stakeholders have shown.

Our accomplishments span the entire range of users and issues on the Colorado River. In the past four years we've seen remarkable progress. In just the past fourteen months:

- We've increased certainty for urban water users in California – and reduced risk to the other six Basin States - by completing the Colorado River Water Delivery Agreement in October 2003.

- We've increased certainty for Indian Communities in Arizona - and all who rely on the Central Arizona Project - with the enactment of the Arizona Water Settlements Act of 2004.

- We're poised to complete the largest habitat protection program in Colorado River history and one of the largest in the nation with the adoption of the Lower Colorado River Multi-Species Conservation Program. This program is designed to provide greater certainty for habitat protection and for all who rely on the River for water and power benefits over the next 50 years.

These successes built upon the seven-state consensus reflected in the Interim Surplus Guidelines.

We have also identified approaches through our Water 2025 Initiative to address critical water issues before they become crises. Through these accomplishments, we've established a solid framework for future successes, for there is still much work to be done.

III. Our Commitment to Respect the Treaties, Compacts and Statutes that Govern Operation and Management of the Colorado River

The first time we spoke to you, in December 2001, we discussed this Administration's goals for managing the Colorado River: preserving and defending the sanctity of Treaties, Compacts and Statutes; and preserving and defending the integrity and enforceability of contracts.

We emphasized our desire that the states develop consensus solutions to the issues, because those solutions would be better and more durable than any federally-mandated solution. We made an unqualified commitment to consult, cooperate and communicate with you to address the issues.

We identified continued progress on the River as one of our top priorities. We developed an agenda for moving forward on many fronts – assisting California with development of its 4.4 plan, developing a Quantification Settlement Agreement in California, meeting our Indian trust responsibilities, and addressing ESA issues, among others.

We also took note of the history of close cooperation between the Federal and state governments regarding the Colorado River. However we also stated that if the states were unable – or unwilling – to find and implement solutions, the Department would do so according to the Law of The River.

a. 2001-2002

In 2001, we reviewed the pressing issues on the Colorado River, the direction of the river's management, and determined to continue the ongoing efforts to resolve the major issues.

Progress continued on many fronts: the Upper Colorado River Endangered Fish Recovery Program, the Glen Canyon Adaptive Management Program, the Lower Colorado River Multi-Species Conservation Program.

In 2002 construction of the Animas-La Plata began, and work was initiated on the Arizona-Nevada water banking agreement.

2002 was also a turning point in the history of the Colorado River.

For the first time, an Interior Secretary faced the need to enforce the entitlement limits of the U.S. Supreme Court Decree in Arizona v. California. The dilemma was whether California would complete the Quantification Settlement Agreement, which would, for the first time, quantify California's agricultural water entitlements.

If they did, surplus water would continue to be available under the Interim Surplus Guidelines, helping California gradually, voluntarily, reduce its Colorado River water use over a 15-year period – the so-called "grace period" at the core of the Surplus Guidelines.

If the California agencies were unable to meet the agreed upon deadline, Secretary Norton made it clear that we would enforce the terms of the Interim Surplus Guidelines, and no surplus water would be available to the lower basin states.

As you all know, the QSA was not signed, and the limits of the Supreme Court Decree were enforced on December 31, 2002.

2002 also brought the third consecutive year of drought in the Colorado River Basin, hastening the long-anticipated era of limits predicted for the lower basin. 2002 was a particularly challenging water supply year; Lake Powell had an unregulated inflow of only 25 percent of average, one of the lowest unregulated inflows ever on the river.

b. 2003

There were many accomplishments in 2003, but it was also a year of significant challenge.

Enforcement of the Decree, and the associated reduction of available water supply in the Lower Basin in 2003, brought litigation and great discord within California and among the Basin states. The eyes of many in the nation were focused on the Colorado River Basin. The Basin surely would face years of divisive litigation if the issues could not be worked out through negotiations.

As time is measured in water negotiations, we had our answer in a remarkably short period of time – only 10 months. Thanks to the cooperation among the California water agencies, with key leadership from the State of California, and the dedication of all parties through an intense period of negotiations, we were able to execute the Colorado River Water Delivery Agreement and related QSA documents on October 10, 2003.

This was a major accomplishment and is certainly one of the most important negotiated agreements on the Colorado River since the 1922 Compact.

This agreement again demonstrated the ability of disparate interests to work together for the common good.

The Department is proud of its role in bringing this document to fruition. But the leadership of

the states was also critical to this success. All seven Colorado River Basin states remained at the negotiating table, providing helpful solutions and input, throughout the months of effort.

2003 did not bring any relief to the drought, and water diversions in 2004 remained within the basic apportionment of 7.5 million acre-feet in the lower basin. Recall, that water use in 2002 exceeded this amount by nearly 800,000 acre-feet.

2003 was also a watershed year for the efforts to complete the interrelated issues involving the Central Arizona Project and the Gila River Indian Community Water Rights Settlement.

Working with the Central Arizona Water Conservation District, we reached critical agreements that were essential to allow additional time to resolve the complicated issues of the CAP and those who rely on its water supplies.

2003 also saw the unveiling of a new initiative designed to prevent future water problems - Water 2025.

c. 2004: Completing Our First Four Years

Steady, continual progress on the difficult issues of managing and using the Colorado River has marked the past four years. Progress extends throughout the Basin.

As we have stressed at every available opportunity, the key to this progress has been the inclusive involvement of the states, the federal government, the Tribes, and our non-governmental partners. All who have a need to resolve various issues are parties to the process.

Let us review several successful programs in the Basin.

UPPER BASIN

Recovery Programs

The Upper Colorado River Endangered Fish Recovery Program and the San Juan River Basin Recovery Implementation Program were initiated in 1988 and 1992, respectively.

Program costs are shared between federal and state governments, water users, and – in the case of the Upper Colorado Recovery Implementation Program – the Colorado River Storage Project power users.

Strategies include conducting research, improving river habitat, providing adequate stream flows, managing non-native fish, and raising endangered fish in hatcheries for stocking.

The keystone is that these programs avoid piecemeal recovery efforts and enable water development to proceed in compliance with ESA.

To date, the Upper Colorado River Recovery Implementation Program serves as the mechanism for compliance for over 750 ESA Section 7 consultations. It covers all 1.5 million acre-feet per year of historic depletions and over 225,000 acre-feet per year of new depletions.

The San Juan Recovery Implementation Program covers over 846,000 acre-feet per year

depletions. The program is of particular significance to the Animas-La Plata Project and the Navajo Indian Irrigation Project, which Reclamation is constructing for the Bureau of Indian Affairs.

Adaptive Management Program - Glen Canyon Dam

In the past four years, the Glen Canyon Adaptive Management Program has moved from its start-up stages in the late 1990's to a state-of-the-art process that brings 25 representatives from stakeholder groups, federal agencies, state governments, and Tribal governments together.

The U.S. Geological Survey manages the ongoing scientific work through the Grand Canyon Monitoring and Research Center in Flagstaff.

A key aspect of the program involves non-native fish removal. This effort presents complex issues as the non-native fish support a world class trout fishery in a short reach downstream of Glen Canyon Dam.

Our efforts regarding the non-native fish have a number of objectives:

1. To reduce the number of trout while improving the quality of the fishery in terms of overall vitality of the population, size of the trout, and quality of the fishing experience from Glen Canyon Dam to Lee's Ferry 16 miles downstream.

2. To reduce the number of non-native fish in the Grand Canyon National Park below Lee's Ferry, thereby improving the chances for the endangered humpback chub. Non-native fish present a significant set of concerns as the non-natives compete for habitat and also prey on the humpback chub.

3. To reduce spawning and recruitment of juvenile trout by fluctuating releases from Glen Canyon Dam between January and April.

4. To physically remove non-native fish (by electro-fishing) in critical areas of the Colorado River. We've focused on the confluence of the Little Colorado and Colorado Rivers, and two years of work is yielding very positive preliminary data.

As Secretary Norton reported to you in December of 2002, experimental flows also are part of this program.

As you know, we conducted an experimental flow at Glen Canyon Dam in late November of this year. We had waited since 2002 for rainstorms in the basin to bring sediment into the Grand Canyon.

The experiment used high flows to distribute the limited sediment resources in the Canyon. It built on the hard work and recommendations of our Adaptive Management Work Group and intensive sediment studies over the past eight years by the USGS in the Grand Canyon.

The experiment was based on the recognition that the earlier high flow experiment in 1996 was not as successful as hoped. That experiment had been predicted to lift sediment from the bottom of the river. Instead, careful study indicated that those earlier high flows took sediment from the

banks of the upper stretch of the river and deposited it in the lower stretch of the Grand Canyon.

New information suggested a better approach: This year's experiment was timed to make use of a significant sediment input or "trigger" that resulted from a number of large storm events that moved new sediment into the Colorado River from the Paria River basin.

Sediment is critical to the Canyon's riverine environment; it establishes areas for riparian habitat, forms backwaters used by native fish, and provides beaches necessary for recreational use in the Canyon.

Sediment is also important for preserving cultural resource and archaeological sites in the Grand Canyon. Loss of sand from the Canyon may expose sites that have long been protected and buried.

Scientists will compare important cultural sites before and after the high flow experiment to determine whether there is a beneficial effect for preserving threatened archeological remains located in the river corridor.

The Grand Canyon is one of our nation's natural jewels, and is recognized all over the world. It should be no surprise that news organizations from New Zealand to London carried the story of the experiment.

I can report that our USGS scientists who remained in the Grand Canyon as the water receded saw a lot of new beaches and expanded sandbars, both of which are crucial in supporting the river's ecosystem.

In the coming months an extensive amount of data -- some collected by following the peak flow through the Canyon, some collected by planes flying over the Canyon -- will be reviewed and interpreted. In May, additional data will be compiled by plane to assess the longevity of any new beaches and sandbars.

In fact, some of our leading scientists are presenting information in San Francisco this morning to the American Geophysical Union, summarizing both the methods used in the experiment and the work that is underway to evaluate the effectiveness of the experiment.

While it is far too early to determine the effectiveness of the experiment, so far, we've had the kind of success we hoped to see initially.

As we assess the data, we will continue to work with our stakeholders in the Adaptive Management Program to refine our approaches to management and operation of Glen Canyon Dam.

Animas-La Plata Project

We've turned the corner on the Animas-La Plata project in the past year and have seen dramatic progress.

Reclamation meets monthly with project sponsors to provide in-depth information transfer and to answer questions they have and work out issues. This has worked extremely well. The meetings are open to the public and the information is also posted on our project Web site.

We've completed nearly 15 percent of project construction.

We've completed a Construction Cost Estimate ($500 million in 2003 dollars) and are tracking contracts and expenditures monthly against the estimate.

Reclamation also provides quarterly briefings to those of us back in Washington to ensure there are no surprises as the project unfolds.

LOWER BASIN

In the Lower Basin, we have also had significant successes in addition to the California Quantification Settlement Agreement.

Lower Colorado River Multi-Species Conservation Program

The Department has been working for nearly a decade with partners from Arizona, California and Nevada to develop a long-term program to conserve endangered and threatened species and prevent the listing of additional species along the lower Colorado River.

The objective of this program is to avoid the action-by-action, species-by-species approach to protecting Endangered Species. Instead, our goal is to provide habitat and protect species before impacts occur.

In August, the Department was pleased to receive funding commitments from our state partners to provide 50% of the costs to implement the Lower Colorado Multi-Species Conservation Program. Overall, the MSCP will provide $626 million for habitat protection and enhancement in the reach of the River below Hoover Dam.

In September, Secretary Norton, along with the three Lower Basin states and other MSCP partners, signed a commitment to provide the resources needed to review and complete the necessary environmental program documents.

The scope and size of the MSCP is unprecedented – the program represents the largest and most innovative use of a combined federal consultation and non-federal Habitat Conservation Plan in U.S. history.

This plan demonstrates our vision that we can protect endangered species and their habitats, while insuring that those who rely on the Colorado River for water and power will continue to enjoy the River's benefits.

Secretary Norton and I want to commend both The Metropolitan Water District of Southern California and the Southern Nevada Water Authority for agreeing to substantial funding commitments as the program gets underway. Both entities showed tremendous leadership, allowing work on this important program to move forward.

Since September, Reclamation and the other stakeholders have been working tirelessly to complete the EIS and other documents for this project.

In fact, just this morning, the Department published a notice in the Federal Register that

announces the availability of the MSCP Program documents. With this important step completed, we anticipate signing a Record of Decision and implementation of the program in early 2005.

Arizona Water Settlements Act

In mid-November, we saw another historic accomplishment on the Colorado River – Congress passed the largest Indian Water rights settlement in U.S. history – the Gila River Indian Community Water Rights

Settlement Act. Passage of this vital legislation is due - in large part - to the tireless efforts of Senator Jon Kyl over the past decade.

This legislation was signed into law a week ago today by President Bush.

What makes this legislation so important is that it also provides for a settlement of long-outstanding operational and financial issues on the Central Arizona Project. It will allow all users on the CAP to know who has rights to specific amounts of CAP project water.

The certainty that this legislation provides will be critically important if reductions are required as a result of the prolonged drought. Imagine the difficulty of reducing water deliveries if you don't know who has a right to the water.

Working with our partners at the Central Arizona Water Conservation District, we now have a structure in place that will assure that benefits of the CAP are equitably shared by all who rely on imported Colorado River water in central Arizona.

The legislation also provides funding for water development in the Upper Gila Basin in New Mexico - a piece of unfinished business since adoption of the Central Arizona Project's authorizing legislation 36 years ago.

Interstate Banking

In the late 1990s the Department established a system to allow states to engage in interstate banking of Colorado River water. This system is proving to be an important tool to meet the growing municipal demands within the Lower Basin for today and in the future.

On October 27th, we approved a Storage and Interstate Release Agreement between Nevada and California. This innovative water banking program will help with river management, both during times of drought and plenty, and will benefit both states.

More recently, the Central Arizona Water Conservation District, the Arizona Water Banking Authority and the Southern Nevada Water Authority reached agreements that should assist Las Vegas to meet its water supply needs over the next three decades.

Both of these agreements demonstrate the leadership among the Lower Basin states and their proven ability to find solutions to meet the needs of all of the Lower Basin's citizens – while working within the Law of the River.

IV. MEETING THE CHALLENGES OF THE FUTURE – DROUGHT

I will close my remarks as I began them - with a focus on drought and the need for the Basin States, tribes and stakeholders in the basin to find solutions to manage the limited water supplies available.

We're continuing to watch the drought very closely, and have been actively encouraging the states to develop management strategies to address water needs in the coming years if the drought continues.

We recognize the need for the issues of drought to be addressed not only within the United States, but also with the Republic of Mexico. This summer we briefed the U.S. State Department on our view that, should the drought continue, we anticipate the need to formally engage the State Department and the International Boundary and Water Commission to address implementing a shortage to Mexican deliveries in accordance with the 1944 Treaty. We indicated that a process to address shortages to Mexico would likely need to proceed on a parallel timeline with development of formal shortage guidelines in the Lower Basin.

This year, we also asked the basin states to submit a report to the Secretary as to what approaches they would recommend regarding proactive drought management actions in the Basin. To date, they have not produced such a report, but today Secretary Norton and I again call on the states to submit a consensus plan for the Department's consideration. Time is of the essence.

For 2005, the Annual Operating Plan for the river will also provide an opportunity to review the snowpack and water supply status in April. The Secretary will take this information into consideration in reviewing the plan for releases from Glen Canyon Dam during the remainder of the 2005 water year.

In addition to this review under the Annual Operating Plan, the Department anticipates initiating a public process for adoption of shortage and drought management guidelines as early as this spring. Given the current state of the drought and system storage, it is our goal to have formal shortage guidelines in place during this Secretary's term in office.

Today, consistent with the history of close consultation between the Federal government and the Basin states, we ask that the states submit formal recommendations to the Department regarding drought management strategies by April 2005.

If the drought continues, we will have to move ahead with formal action to develop guidelines and procedures to reduce water deliveries in the Lower Basin. As the official with delegated responsibility to manage the lower Colorado River, the Secretary will have to implement plans to address a continued drought – even in the absence of a consensus plan.

So far, precipitation and snow pack are encouraging. The current snowpack in the Basin, as of December 9th is 114% of average. However, last year we also saw early signs of promising conditions - and we then saw the snowpack literally evaporate in a hot, dry spring.

In the past few years, Basin States have come together in a way that has not been seen since 1922.